

Message Text

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ACTION EA-09

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FM AMEMBASSY BANGKOK

TO SECSTATE WASHDC 5710

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E.O. 11652: N/A

TAGS: EFIN, PINR, TH

SUBJECT: TROUBLES OF THE BANGKOK BANK

REF: BANGKOK 25855

1. EMBASSY HAS ALREADY REPORTED IN CONTEXT OF COTTON CONTENT AND CREDIT INSURANCE MATTERS THAT BANGKOK BANK IS SERIOUSLY OVEREXTENDED IN LOANS TO THE INSOLVENT THAI DURABLE TEXTILE CO. BANGKOK BANK IS THE DOMINANT PRIVATE FINANCIAL INSTITUTION IN THAILAND, WITH ASSETS WELL OVER TWICE THOSE OF ITS NEAREST DOMESTIC RIVAL. REPORTEDLY ONE-FOURTH OF ITS DOMESTIC RECEIVABLES ARE IN TEXTILE LOANS, PRINCIPALLY TO THAI DURABLE. BANGKOK BANK ON BEHALF OF ITSELF AND OTHER CREDITORS NOW EXERCISES STRICT MANAGEMENT CONTROL OVER THAI DURABLE'S OPERATIONS, THUS AVOIDING THE COMPLICATIONS THAT WOULD RESULT WERE THE COMPANY FORCED INTO FORMAL BANKRUPTCY.

2. BECAUSE OF ITS OVEREXPOSURE IN TEXTILE LOANS, BANGKOK BANK DOES HAVE A LIQUIDITY PROBLEM, WHICH WILL PREVENT IT FROM PLAYING ITS TRADITIONALLY DOMINANT ROLE IN THE FINANCING OF EXPORTS, WHICH ARE AT SEASONAL HIGHS DURING THE EARLY MONTHS OF THE YEAR.

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3. AMERICAN BANKERS HERE TAKE A SERIOUS VIEW OF THE

BANGKOK BANK'S TROUBLES. THEIR ATTITUDE MIGHT BEST BE DESCRIBED AS NOT ALARMED, BUT DISQUIETED. SOME OBSERVERS PLACE THE BLAME FOR THE BANK'S DIFFICULTIES WITH CHARTI SOPHONPHANIT, EXECUTIVE VICE PRESIDENT AND SON OF THE PRESIDENT, CHIN SOPHONPHANIT. CHARTI SUCCEEDED BUNCHU ROTCHANASATHIAN, NOW MINISTER OF FINANCE, AT THE BANK LAST APRIL AND HAS SINCE ATTEMPTED TO PUT HIS BRAND ON THE BANK'S OPERATIONS. BUNCHU CANNOT ESCAPE SOME RESPONSIBILITY FOR THE TEXTILE LOANS, SINCE THE ORIGINAL OVERINVOLVEMENT CAME WHILE HE WAS RUNNING THE BANK. HOWEVER, BANKERS HERE SAY THAT CHARTI WAS THE ONE WHO DIRECTLY HANDLED THE THAI DURABLE LENDING. HE IS ALSO CRITICIZED FOR CAPRICIOUS OVERRULING OF HIS PROFESSIONAL STAFF ON LOANS.

4. AT THIS TIME NONE OF THE OTHER THAI BANKS ARE SUFFERING FROM LIQUIDITY PROBLEMS, ALTHOUGH ALL TO ONE DEGREE OR ANOTHER HAVE EXTENDED LOANS TO THE TROUBLED TEXTILE INDUSTRY. A TURNAROUND IN TEXTILES WOULD GO A LONG WAY TOWARD RESOLVING BANKING PROBLEMS BUT THERE ARE AS YET FEW SIGNS OF A REBOUND.

5. BECAUSE OF BANGKOK BANK'S PARAMOUNT POSITION IN THE THAI BANKING SYSTEM, THERE IS LITTLE DOUBT THAT THE CENTRAL BANK WILL ACT TO BAIL OUT THE BANGKOK BANKS SHOULD THAT BECOME NECESSARY. THE CONSENSUS IS THAT IT WILL NOT REACH THE POINT THAT THE CENTRAL BANK WOULD HAVE TO ACT. THE EMBASSY BELIEVES THAT WHILE THE BANGKOK BANK'S LIQUIDITY PROBLEMS ARE A CAUSE FOR CONCERN, THEY ARE NOT A CAUSE FOR ALARM.

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